

## Message Text

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PAGE 01 LA PAZ 01451 250031Z  
ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 /019 W  
-----250046 034922 /61  
R 242040Z FEB 77  
FM AMEMBASSY LA PAZ  
TO SECSTATE WASHDC 4231

C O N F I D E N T I A L LA PAZ 1451

STADIS//////////

E.O. 11652: GDS  
TAGS: OPIC, EMIN, BL  
SUBJECT: OPIC INVESTMENT INSURANCE: NEW JERSEY  
ZINC 511-74-339 BOLIVIA

REF: STATE 37808

1. EMBASSY AGREES WITH DEPARTMENT THAT THE TEXT OF LA PAZ A-111 SHOULD NOT BE GIVEN TO OPIC. THE REASON FOR USING STADIS IN OPIC RELATED COMMUNICATIONS IS THAT ON PAST OCCASIONS OPIC ADVISED INSURANCE APPLICANTS OF INFORMATION PROVIDED BY THE EMBASSY OR OF THE EMBASSY'S RECOMMENDATION VIS-A-VIS A PARTICULAR APPLICATION. THIS CAUSED AT LEAST ONE APPLICANT TO PRESSURE THE EMBASSY IN ABRASIVE TERMS TO CHANGE ITS POSITION. IT ALSO RAISED THE POSSIBILITY OF EMBARRASSING THE SUG WITH THE HOST GOVERNMENT OR CREATING PROBLEMS BETWEEN THE HOST GOVERNMENT AND THE INVESTOR. CONSEQUENTLY, THE EMBASSY BELIEVES THAT A COORDINATED STATE DEPARTMENT POSITION ON THE APPLICATION SHOULD BE GIVEN TO OPIC, WITHOUT IDENTIFYING THE SPECIFIC SOURCE, AND IN ANY CASE WITH THE UNDERSTANDING THAT OPIC WILL  
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USE THE INFORMATION CAUTIOUSLY.

2. IN THE PRESENT CASE, WE STRONGLY SUGGEST ADVISING OPIC THAT THE DEPARTMENT RECOMMENDS ON POLITICAL GROUNDS AGAINST INSURING THE EQUITY PORTION OF THE INVESTMENT IN VIEW OF THE TRADITIONAL AND CONTINUING POLITICAL

SENSITIVITY OF EQUITY INVESTMENTS IN THE  
EXTRACTIVE SECTORS IN BOLIVIA AS WELL AS  
THOSE SPECIFIC ASPECTS OF THE CASE MENTIONED  
BELOW. WE ALSO RECOMMEND WITH REGARD TO THE  
DEBT PORTION OF THE INVESTMENT, THAT OPIC  
CAREFULLY REVIEW THE FINANCIAL AND MARKETING  
ARRANGEMENTS OF THE INVESTMENT WITH A VIEW TO  
THE POSSIBLE POLITICAL REPERCUSSIONS IN  
BOLIVIA IF THE ALLEGED ARRANGEMENTS WERE TO  
COME TO LIGHT, AND THAT OPIC AND THE DEPARTMENT  
(INCLUDING THE EMBASSY) AGAIN CONSIDER THE  
MATTER AFTER OPIC HAS DEVELOPED SUCH FURTHER  
INFORMATION. THE EMBASSY HAS NO OBJECTION TO  
THE DEPARTMENT'S USING IN ITS OWN COMMUNICATION  
WITH OPIC THE MATERIAL CONTAINED IN THE LAST  
PARAGRAPH OF PAGE ONE OF A111, THE FIRST TWO  
PARAGRAPHS AND THE CHART OF PAGE TWO, AND  
THE LAST PARAGRAPH OF PAGE TWO, WHICH CONTINUES  
ON PAGE THREE.

3. UNFORTUNATELY, THE EMBASSY IS NOT IN A  
POSITION TO VERIFY OR DISPROVE THE ALLEGATIONS  
OF PAYOFFS TO GOB OFFICIALS, IN VIEW OF THE  
STILL CONTINUING POLITICAL REPERCUSSIONS  
OVER THE ALLEGED GULF OIL PAYOFFS (WHICH  
INCLUDED THE TEMPORARY JAILING OF ONE FORMER  
BOLIVIAN GULF OFFICIAL AND THE RECENT  
CONVICTION IN ABSENTIA OF THE FORMER GULF  
PRESIDENT), WE CONSIDER THE VERACITY OF SUCH  
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ALLEGATIONS AN IMPORTANT FACTOR IN A FINAL  
DECISION ON INSURANCE OF THE DEBT PORTION OF  
THE NJZ INVESTMENT. HOWEVER, WE BELIEVE THE  
DEPARTMENT SHOULD CONSIDER PASSING SUCH  
ALLEGATIONS TO OPIC ONLY WITH THE STRICT  
UNDERSTANDING THAT THE INFORMATION BE KEPT  
COMPLETELY CONFIDENTIAL AND THAT ITS SOURCE  
NOT BE DIVULGED. OPIC SHOULD BE REMINDED  
IN SUCH CASE THAT THE NEW JERSEY ZINC MINE  
HAS ALREADY BEGUN PRODUCTION, AND REVELATION  
OF THE ALLEGED PAYOFFS (WHETHER THEY ARE  
TRUE OR NOT) WOULD CAUSE NEW JERSEY ZINC  
SERIOUS PROBLEMS HERE, THE LEAST OF WHICH  
WOULD PROBABLY INCLUDE REFUSAL OF FGA FOR  
THE PROJECT. IF DEPARTMENT IS CONCERNED THAT  
OPIC WOULD NOT HANDLE THE INFORMATION ON ALLEGED  
PAYOFFS DISCREETLY, WE RECOMMEND THAT  
STATE DEPARTMENT OPPOSE INSURING EITHER  
THE DEBT OR EQUITY PORTIONS OF THE INVESTMENT.

THE NJZ MINE IS ALREADY OPERATING AND IN ANY  
CASE THE GOB IS NOT YET ISSUING FGA'S FOR  
ANY OPIC APPLICATIONS.

4. FYI - WHEN MANSBACH WAS HERE RECENTLY  
HE TOLD POL/ECOM OFFICER THAT HE WAS BEING  
PRESSURED BY NEW JERSEY ZINC FOR A DECISION.  
POL/ECOM OFFICER ADVISED MANSBACH THAT REPORT  
CONTAINED IN A-111 HAD BEEN FORWARDED TO  
DEPARTMENT AND OFFERED TO SHOW IT TO MANSBACH.  
WE ARE NOT SO MUCH CONCERNED WITH MANSBACH  
HIMSELF HAVING THE INFORMATION CONTAINED IN  
A-111 AS AT HAVING OPIC ATTRIBUTE THIS  
INFORMATION TO THE EMBASSY OR TO SPECIFIC  
EMBASSY OFFICERS IN ITS CONVERSATIONS WITH  
EITHER NJZ OR BOLIVIANS. SUCH AN OCCURENCE  
WOULD DEFINITELY AFFECT OUR FUTURE ACCESS  
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TO INFORMATION ON THE MINERALS AND PETROLEUM  
SECTORS IN BOLIVIA.

5. EMBASSY WOULD APPRECIATE BEING ADVISED  
OF DEPARTMENT'S ACTION ON THIS CASE.  
BEAL

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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